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## Cut Global Red Tape to Promote Economic Growth

By Cass R. Sunstein - Mar 11, 2013

Imagine that you own a small but rapidly growing company in [Vermont](#), and that your products are starting to sell in [Maine](#), [New Hampshire](#) and [Massachusetts](#). You would probably hate it if those states forced you to comply with inconsistent and redundant regulatory requirements.

Fortunately, the U.S. has a national market. Sure, unnecessary [red tape](#) still produces headaches, but the federal system (including the Constitution) sharply limits a state's power to disrupt the free movement of goods across state lines. Within the U.S., that movement has been a crucial engine of economic growth.

Now suppose that your small but growing company is starting to attract customers in [France](#), [Germany](#) and South Korea. You might well run into a [host](#) of disparate regulatory requirements. Those requirements may prove prohibitively expensive to meet, making it impossible for you to sell products for which there is a real demand.

Over the last decade, American businesses have been emphasizing the need to increase [international regulatory cooperation](#), thus harmonizing requirements and eliminating "non- tariff trade barriers" (the technical term). At its best, such cooperation opens markets and promotes exports. As a result, it contributes to [economic growth](#) and job creation, and it can save consumers a lot of money.

### Trade Talks

It is for this reason that a brief passage in President [Barack Obama](#)'s [State of the Union](#) address last month got so much attention from business. Obama announced new talks on "a comprehensive Trans-Atlantic Trade and Investment Partnership with the European Union." He also said that to "boost American exports, support American jobs and level the playing field in the growing markets of [Asia](#), we intend to complete negotiations on a Trans-Pacific Partnership."

The two [announcements](#) have a number of smaller precedents, which are quietly delivering real results. Last year, the [Occupational Safety and Health Administration](#) harmonized its hazard communication standard for [workplace safety](#) with the requirements of many nations around the world -- a pro-trade reform that is expected to save American businesses more than \$475 million annually. The U.S. and the EU have also entered into an agreement under which organic products may be sold as "organic" in both jurisdictions, so long as they have been so certified by either one of them.

More ambitiously, the U.S. and [Canada](#) have created a joint Regulatory Cooperation Council, which is carrying out a public plan to ramp up regulatory cooperation, and thus to allow companies to sell goods across the North American border without facing independent requirements. (Disclosure: While serving in the Obama administration, I was co-chairman of the council from February 2011 to August 2012.)

The plan contains almost 30 initiatives, designed to harmonize regulatory approaches in the near future. Among these initiatives are common approaches to [food safety](#) (including streamlined certification requirements for meat and poultry), increased alignment of motor-vehicle safety standards, coordinated emissions regulations for light-duty vehicles, and development of joint approaches to regulation of nanomaterials. With respect to fuel economy, the U.S. and Canada have already converged on a [shared approach](#), saving money for producers and consumers on both sides.

Last month, the U.S.-EU High Level Working Group on Jobs and Growth emphasized the importance of enhanced compatibility of regulations and standards, undertaken as part of the comprehensive agreement

on which talks are now beginning. [Europe](#) is the leading U.S. trading partner, with more than \$600 billion in annual trade.

## Aligning Requirements

An effort to align regulatory requirements could greatly increase that figure and thus boost gross domestic product on both sides. And if the rapidly growing Asian markets become more open to American producers, the long-term [economic benefits](#) would probably be extraordinary.

To be sure, the project of aligning regulatory standards poses risks. No one should favor a system in which that project leads to a systematic weakening of safeguards.

Alignment should not mean convergence on the weakest standards for protecting safety, health and the environment. One of the great promises of regulatory cooperation is that it can promote information-sharing and [combat](#) a destructive international race to the bottom, in the process protecting people against genuine risks.

At the same time, regulatory alignment should not be treated as a license for an unjustified increase in stringency. Where the EU imposes unnecessarily expensive regulatory controls, there should be serious consideration of U.S.-EU convergence on more balanced approaches.

In some areas, of course, nations disagree on facts and values, and such disagreements may be legitimate reasons for divergences in regulatory approaches.

For far too long, however, such divergences have been the product of a simple failure of consultation and coordination. For businesses and consumers alike, efforts to harmonize regulatory requirements could rank among the most significant international initiatives of the coming years.

(Cass R. Sunstein, the Robert Walmsley University Professor at [Harvard Law School](#), is a Bloomberg View columnist. He is the former administrator of the White House Office of Information and Regulatory Affairs, the co-author of “Nudge” and author of “Simpler: The Future of Government,” to be published in April. The opinions expressed are his own.)

To contact the writer of this article: Cass R. Sunstein at [csunstei@law.harvard.edu](mailto:csunstei@law.harvard.edu).

To contact the editor responsible for this article: Katy Roberts at [kroberts29@bloomberg.net](mailto:kroberts29@bloomberg.net).